

Report of Visit to Nanjing NUS store

Store A7,B1/F, Building B,Changfa Center, No.300 East Zhongshan Road, Baixia District,Nanjing

Our researcher visited the Nu Skin store in Nanjing to meet Nu Skin distributors, to see firsthand see how they presented the Nu Skin business opportunity. When she arrived, there were 5 distributors in the store. Once in the store, our researcher was approached by a Nu Skin staff member to discuss products. (Note: stores are staffed by Nu Skin staff members -- not distributors. Staff members do not engage in any "business building". They simply work directly for Nu Skin. (Distributors hang around the store to meet people to build their business).





(Here's the front door, and the invoice for our researcher's purchase, dated Oct 16th, yesterday.)

Our researcher asked about cosmetic products to help with acne. The staff member recommended she buy the Clear Action System, which cost ¥1,050. When our researcher balked at spending so much, the staff member recommended instead she purchase a hydrating masque for ¥225. Our researcher asked how she could get a discount, and was told she would need a Nu Skin ID card to get a discount. She was allowed to borrow a Nu Skin ID card from someone else in the store to get a discount on this one-time purchase.

Three of the distributors who had been in the store headed outside, and our researcher went with them. They discussed the Nu Skin Facial Spa. The distributors started discussing some Nu Skin rules about payments.

The one doing most of the talking was named Xia Wang. She explained that if one spends ¥500 or more, once can get a Nu Skin ID card to get 20% discount. Once one's monthly sales hit ¥5,000 one becomes a Nu Skin distributor.

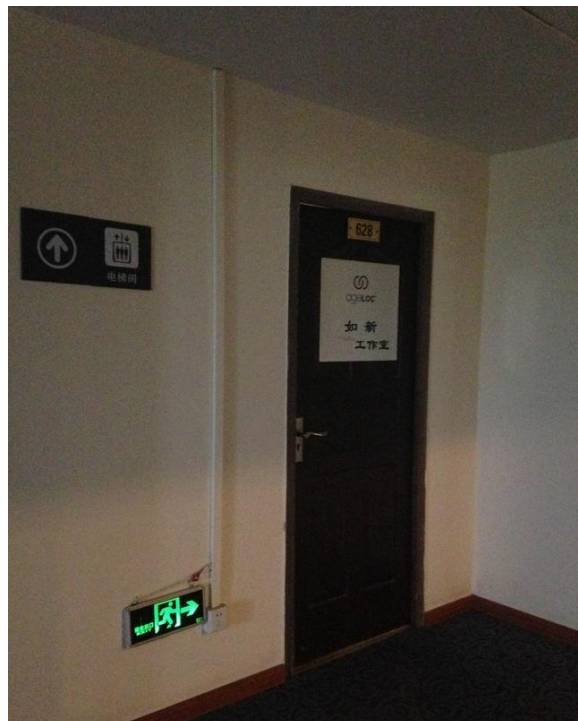
Until one reaches ¥30,000 in total sales, one earns 10% commission on their own personal sales. Once one's personal sales break above ¥30,000, the commission earned increases to 20%. But in order to qualify for the 20% commission one has to maintain ¥10,000 in sales each month.

The distributors invited our researcher to a nearby office (not the Nu Skin store) to get a demonstration of the Nu Skin Facial Spa and a more detailed explanation of the payment structure. (Note: we have been told by Nu Skin-store staff members on previous visits that discussing the payment structure in the store is forbidden).

The office was a 10-minute walk from the Nu Skin store, located at room 628 in Home Inn Hotel.



There is a sticker on the door saying NUS office. It appears they have booked the suite for a long term.



The suite had space for a small classroom, a demonstration room for doing spa facials and a small office space. Xia explained the payment structure while demonstrating the facial spa machine on our researcher.



"You cannot miss the 2014 opportunity. Successfully creating a business is the foundation. Making over 1 million is the process. You get lift around the world. Getting millions more is a certainty."

Xia explained that once a distributor exceeds ¥30,000 in total sales and becomes eligible for 20% commission, they ALSO are able to get 5% commission on everyone who has been signed up in their downline. Xia said a distributor can collect the commissions everyone's sales "6 generations" deep. She specifically said that the commission is collected even from new recruits who the distributor did not personally sign up or train.

(This is a violation of Article 7 of the REGULATION ON PROHIBITION OF PYRAMID SELLING).

One of the other girls in the group is named Pingping Zheng. Pingping said she will be in Hefei to work with the Hefei team on Oct 18th and invited our researcher to join her there. She told our researcher to bring her friends to try the spa machine in Hefei. Pingping also sketched out a diagram for our researcher before she left the office to explain better the pay structure. While doing this Pingping explained that there are 2 types of Nu Skin revenue; 1) Initiative Income 2) Passive Income.

Passive income is what you make by building your team. You introduce more people to Nu Skin and help them build their own Nu Skin business. Everyone who is signed up under you is your own branch. You make 5% commission off of everything they sell (as long as you qualify).

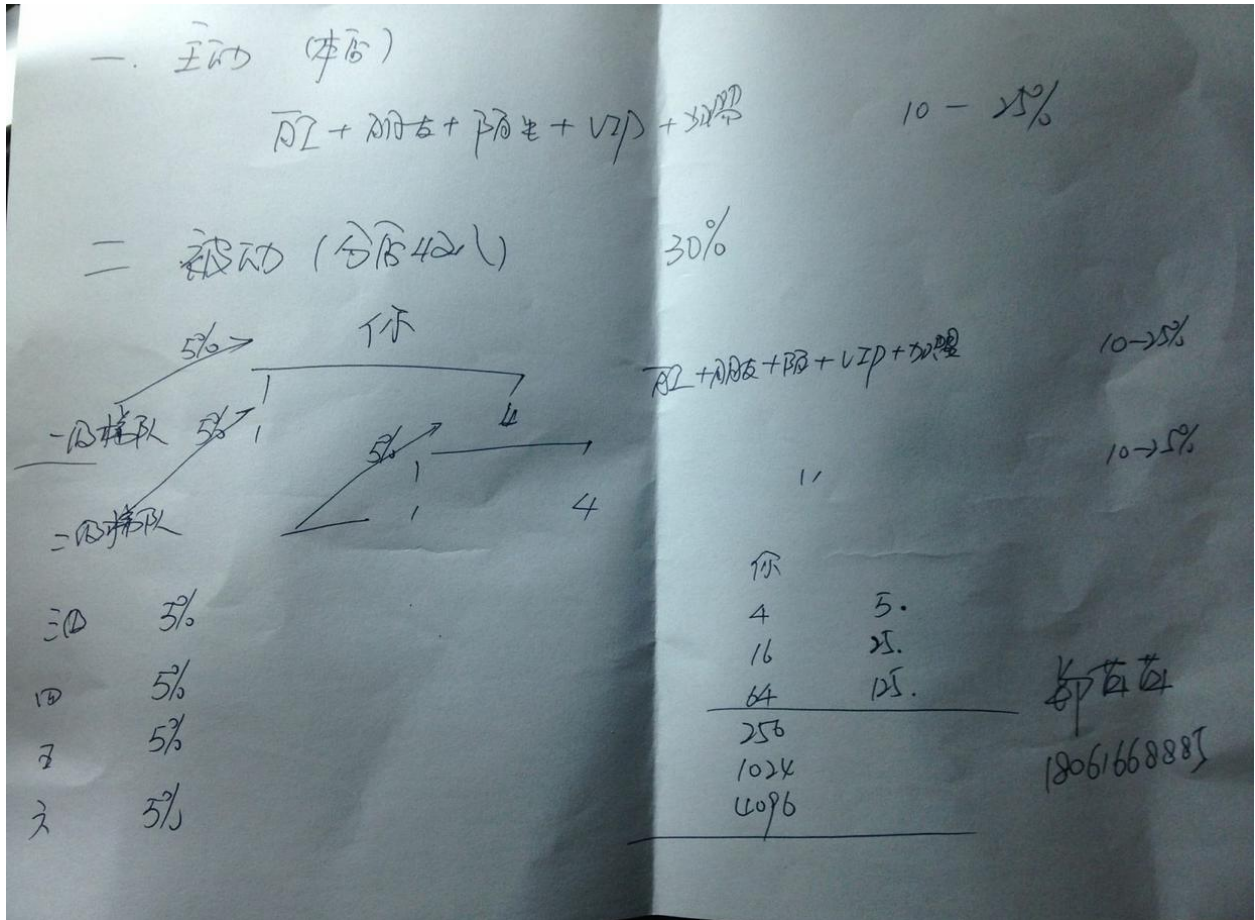
Pingping explained that direct-selling laws say that direct-sellers cannot make more than 30% of their own income from commissions on other peoples' sales, so 5% times "6 generations" equals 30%, so this business is perfectly legal! (Note: We don't need to point out how this reasoning is completely illogical).

Pingping said that the business is all about multiplication. If each person develops 4 underlines, and everyone copies the business of the person above them, everyone in Nu Skin will make incredible money! And if you make only a small increase by having everyone develop 5 underlines instead of 4, even a small difference makes a big difference by the 6th generation:

| | # of people if everyone signs up 4 people | # of people if everyone signs up 5 people |
|--------------|---|---|
| You | 1 | 1 |
| 1st downline | 4 | 5 |
| 2nd downline | 16 | 25 |
| 3rd downline | 64 | 125 |
| 4th downline | 256 | 625 |
| 5th downline | 1,024 | 3,125 |
| 6th downline | 4,096 | 15,625 |

(This is obviously a clear violation of Article 7 of the REGULATION ON PROHIBITION OF PYRAMID SELLING).

Here is the sketch drawn for our researcher explaining how she could get rich by recruiting others to sell Nu Skin products.



At the top you have the “active” level at the main store which is comprised of friends, strangers, new members and VIP’s. Looks like 10-25% of commissions come from there

The second level is “passive” which is 42 people at other shops. Seems 30% of commissions come from there. Under that are 2 levels level which comprise of 10-25% commission each. It goes down 4 more levels where the cut seems to be 5%

On the bottom right is a demonstration of how the people under you will grow exponentially ... i.e. you recruit 4 downlines and they each get 4 people so you end up with 16 which grows to 64 ... there is a name and phone number besides that.